

## Message Text

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22

ACTION NEA-10

INFO OCT-01 ISO-00 XMB-02 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 ERDA-05 CEA-01

DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 SAM-01

OES-06 SS-15 STR-04 ACDA-07 /113 W

----- 095565

R 270502Z OCT 76

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 2611

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

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DEPT PASS TO EXIMBANK

EO 11652: NA

TAGS: EFIN EGEN MU

SUBJ: VISIT BY US EXPORT-IMPORT BANK OFFICIALS MORAN AND DUNTON

1. EXIMBANK OFFICIALS MORAN AND DUNTON VISITED MUSCAT OCT 23-24. MEETINGS WERE HELD WITH DIRECTOR GENERAL OF FINANCE MOHAMED REDHA MUSA, DEPUTY CHAIRMAN OF CENTRAL BANK YUSUF NIMATALLAH, COMMERCE MINISTRY UNDERSECRETARY ALI DAWOOD, PETROLEUM MINISTRY OFFICIALS, AND AMERICAN BANKERS AND BUSINESSMEN. TALKS WERE FOCUSED ON OPPORTUNITIES PROVIDED BY OMAN'S PETROLEUM AND MINERALS SECTORS.

2. BEST OPPORTUNITIES FOR EXIMBANK LENDING WERE SEEN IN TOPPING

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PLANT (MINI-REFINERY) WHICH WOULD SEPARATE JET FUEL AND DIESEL OIL

FROM CRUDE PIPED FROM INTERIOR. COPPER PROJECT PRESENTLY BEING DEVELOPED BY PROSPECTION LTD (CANADA) AND MARSHALL OMAN (US) ALSO HAS POSSIBILITIES, ALTHOUGH PROJECT WOULD BE LESS ATTRACTIVE BECAUSE OF DEPRESSED PRICES AND GLUT OF COPPER ON WORLD MARKET. WHILE NATURAL GAS PIPELINE MAY SOON BE STARTED, OMAN'S NATURAL GAS RESERVES ARE PROBABLY NOT SUFFICIENT FOR LPG PLANT OR MORE COMPLEX PETRO-CHEMICAL VENTURES. MORAN AND DUNTON EMPHASIZED IN TALKSNDFOF OMANGOV OFFICIALS THAT EXIMBANK WOULD ONLY FINANCE FOREIGN EXCHANGE-GENERATING PROJECTS HERE AND NOT INFRASTRUCTURE PROJECTS SUCH AS ROADS; EXIMBANK COMMITMENTS IN THE RANGE OF \$7-10 MILLION MIGHT BE POSSIBLE.

3. EXIMBANK OFFICIALS SAW MAIN OBSTACLES TO LENDING TO OMAN AS FOLLOWS:

A. OMANGOV FINANCE OFFICIALS WERE TAKEN ABACK BY EXIMBANK'S 8-1/3 - 9-1/2 PERCENT INTEREST RATES. MOHAMED REDHA MUSA REMARKED THAT BRITISH, FRENCH, AND JAPANESE EXPORT CREDIT AGENCIES LENT MONEY AT MUCH LOWER RATES THAN EXIMBANK AND WOULD FINANCE INFRASTRUCTURE AS WELL AS REVENUE GENERATING PROJECTS. YUSUF NIMATALLAH WAS MORE POSITIVE ABOUT POSSIBILITIES FOR EXIMBANK FINANCING BUT EMPHASIZED THAT INTEREST RATES WOULD HAVE TO BE MORE COMPETITIVE.

B. MILITARY SPENDING HAS NOT BEEN REDUCED DESPITE VIRTUAL END OF DHOFAR WAR, AND EXPENDITURES ON EXORBITANT BAC JAGUAR/RAPIER CONTRACT CONTINUE UNABATED.

C. PROSPECTS FOR FUTURE ECONOMIC GROWTH ARE CLOUDY BECAUSE OF DECLINING PETROLEUM PRODUCTION IN NORTH. ACCORDING TO RECENTLY-PUBLISHED DEVELOPMENT PLAN, GOVERNMENT REVENUES ARE EXPECTED TO DECLINE OVER NEXT FIVE YEARS. IT IS TOO EARLY TO TELL WHETHER ELF AND SUN OIL OFFSHORE EXPLORATION WILL TURN INTO COMMERCIAL PRODUCTION, AND SHELL IS NOT ENTHUSIASTIC ABOUT DEVELOPMENT OF HEAVY OIL RESERVES IN DHOFAR.

4. DESPITE THESE PROBLEMS, MORAN AND DUNTON ARE RELATIVELY OPTIMISTIC ABOUT LONG-RANGE ECONOMIC PROSPECTS FOR OMAN. INTENSIVE GEOLOGICAL EXPLORATION IN OMAN HAS ONLY BEEN CARRIED OUT IN THE LAST TWO YEARS, AND THE OMAN MOUNTAINS COULD PROVE TO HOLD LIMITED OFFICIAL USE

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SUBSTANTIAL MINERAL WEALTH. AGRICULTURE AND FISHING ALSO HAVE POTENTIAL AS A WAY OF DIVERSING FROM EXCLUSIVE RELIANCE ON PETROLEUM. MORAN AND DUNTON SEE US COMPANY REPRESENTATION IN OMAN AS TOO SMALL AND BELIEVE MORE ATTENTION BY US FIRMS WOULD BE WARRANTED. DESPITE THE INEFFICIENCIES AND OCCASIONAL MISDIRECTIONS IN OMAN'S GROWTH, THE OMANGOV IS SEEN AS MAKING A SERIOUS AND (ON THE WHOLE) COMMENDABLE EFFORT TOWARD ECONOMIC DEVELOPMENT. WOLLE

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